

§ 65.301

47 CFR Ch. I (10–1–97 Edition)

§ 65.301 Cost of equity.

The cost of equity shall be determined in represcription proceedings after giving full consideration to the evidence in the record, including such

evidence as the Commission may officially notice.

[60 FR 28545, June 1, 1995]

§ 65.302 Cost of debt.

The formula for determining the cost of debt is equal to:

$$\text{Embedded Cost of Debt} = \frac{\text{Total Annual Interest Expense}}{\text{Average Outstanding Debt}}$$

Where:

“Total Annual Interest Expense” is the total interest expense for the most recent two years for all local exchange carriers with annual revenues of \$100 million or more.

“Average Outstanding Debt” is the average of the total debt for the most

recent two years for all local exchange carriers with annual revenues of \$100 million or more.

[60 FR 28545, June 1, 1995]

§ 65.303 Cost of preferred stock.

The formula for determining the cost of preferred stock is:

$$\text{Cost of Preferred Stock} = \frac{\text{Total Annual Preferred Dividends}}{\text{Proceeds from the Issuance of Preferred Stock}}$$

Where:

“Total Annual Preferred Dividends” is the total dividends on preferred stock for the most recent two years for all local exchange carriers with annual revenues of \$100 million or more. “Proceeds from the Issuance of Preferred Stock” is the average of the total net proceeds from the issuance of preferred stock for the most recent two years for

all local exchange carriers with annual revenues of \$100 million or more.

[60 FR 28545, June 1, 1995]

§ 65.304 Capital structure.

The proportion of each cost of capital component in the capital structure is equal to:

Proportion in the capital structure =

$$\frac{\text{Book Value of particular component}}{\text{Book Value of Debt} + \text{Book Value of Preferred Stock} + \text{Book Value of Equity}}$$

Where:

“Book Value of particular component” is the total of the book values of that component for all local exchange carriers with annual revenues of \$100 million or more.

“Book Value of Debt+Book Value of Preferred Stock+Book Value of Equity” is the total of the book values of all the components for all local ex-

change carriers with annual revenues of \$100 million or more.

The total of all proportions shall equal 1.00.

[60 FR 28545, June 1, 1995]